Ba-Phalaborwa Local Municipality
Annual Financial Statements
for the year ended 30 June, 2014

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Local government institution in the Mopani District, Limpopo
Mayoral committee	Mayor :Cllr.N.A Sono Speaker: Cllr.M.D.Maake Chief whip : Cllr.S.L.Mohlala Cllr.S.Magomane Cllr.P.Mapanzela Cllr.S.De Beer Cllr.P.Mhlari Cllr.D.Rapatsa Cllr.KS.Malatjie
Councillors	Cllr.M.V Mathebula Cllr. T.M.Malobane MPAC Chairperson : Cllr. O.Makwala Cllr. R.Nkuna Cllr. S. Mthombeni Cllr.G.Mashele Cllr. R.Monareng Cllr. P.Kgoete Cllr. G.Fleming Cllr. H. Harry Cllr. M.Malatji Cllr. T.Malatji Cllr. E.Ndlovu Cllr. R.Popela Cllr. P.G.Mabilo Cllr. T.Makansi Cllr. A.Peta Cllr. O.Mahomane Cllr. G.Malesa Cllr. B.R.Mashale Cllr. K.A.Otto Cllr. I.Mpenyanyane Cllr. Makasela Cllr. T.Nkuna Cllr. S.Chauke Cllr. S.Mokgalaka Hosi.M.Ntsanwisi Kgoshi M.A. Malatji Kgoshi T.Malatji Makgoshi MC Shai
Grading of local authority	3
Chief Finance Officer (CFO)	Mr.A.F.Mushwana
Accounting Officer	Dr SS Sebashe

General Information

Registered office	Civic Centre, Nelson Mandela Drive Phalaborwa 1390
Business address	Civic Centre Nelson Mandela Drive Phalaborwa 1390
Postal address	Ba Phalaborwa Municipality Private Bag 01020 Phalaborwa 1390
Bankers	Standard Bank of South Africa
Auditors	Auditor-General - SA
Audit Committe Members	T C Modipane - Chairperson S A B Ngobeni H G Hlomane Adv S S T Khulong F J Mudau

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by tbe Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be ralled on for the praparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June, 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors .

The annual financial statements set out on pages 5 to 52, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August, 2014 and were signed on its behalf by:

Dr SS Sebashe
Accounting Officer

Ba Phalaborwa

31 August, 2014

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June, 2014.

1. Review of activities

Main business and operations

The municipality is engaged in local government institution in the mopani district, limpopo and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R130 2,528,711 (2013: surplus R130 80,271,035).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is Dr SS Sebashe.

6. Executive Directors emoluments

	Salary or Fee	Other Benefits	Total package 2014	Total package 2013
Municipal Manager	-	-	-	1,341,986
Chief Financial Officer	456,900	654,457	1,111,357	1,161,944
Director Planning and Development	493,569	426,436	920,005	721,056
Director Technical Services	-	-	-	1,033,290
Director Corporate Services	565,046	424,569	989,615	318,982
Director Community Services	582,040	435,819	1,017,859	1,079,374
	2,097,555	**1,941,281**	**4,038,836**	**5,656,632**

Accounting Officer's Report

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Audit and risk committee

The Municipality has an independent Audit committee, consisting of five members chaired by Mr TC Modipane.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee. Ba-Phalaborwa Local Municipality shared services Mopani District Municipality's Audit Committe who are independent members as required by the Municipal Finance Management Act 166 section 4 during the year under review.

Internal audit

The municipality has an internal audit function. This is in compliance with the Municipal Finance Management Act, 2003.

8. Bankers

Standard Bank Limited will continue to provide financial services to the municipality.

9. Auditors

Auditor-General - SA will continue in office for the next financial period.

Statement of Financial Position as at 30 June, 2014

Figures in Rand	Note(s)	2014	Restated 2013
Assets			
Current Assets			
Inventories	6	14,399,131	9,467,752
Receivables from non-exchange transactions	7	110,687,665	101,255,185
Receivables from exchange transactions	8	159,632,559	132,092,041
Cash and cash equivalents	9	155,234	2,066,482
		284,874,589	**244,881,460**
Non-Current Assets			
Biological assets	3	343,743	313,413
Property, plant and equipment	4	1,051,231,193	1,063,495,511
		1,051,574,936	**1,063,808,924**
Total Assets		**1,336,449,525**	**1,308,690,384**
Liabilities			
Current Liabilities			
Finance lease obligation	10	266,858	6,124,691
Payables from exchange transactions	13	323,949,259	339,650,011
VAT payable	14	39,646,339	17,909,246
Consumer deposits	15	3,622,185	2,980,978
Unspent conditional grants and receipts	11	7,141,197	2,511,141
Bank overdraft	9	17,962,506	-
		392,588,344	**369,176,067**
Non-Current Liabilities			
Finance lease obligation	10	340,177	612,987
Retirement benefit obligation	5	25,984,395	27,244,000
Provisions	12	23,832,284	15,424,318
		50,156,856	**43,281,285**
Total Liabilities		**442,745,200**	**412,457,352**
Net Assets		**893,704,325**	**896,233,032**
Accumulated surplus		893,704,325	896,233,032

Statement of Financial Performance

Figures in Rand	Note(s)	2014	Restated 2013
Revenue			
Service charges	19	93,504,365	79,414,463
Rental of facilities and equipment	18	228,157	294,841
Licences and permits		3,121,311	2,375,223
Other income	21	2,290,587	5,606,103
Interest received	25	55,899,635	52,139,385
Property rates	18	57,238,528	60,257,422
Government grants & subsidies	20	105,162,944	98,366,654
Fines		2,826,164	870,616
Agency fees		9,665,397	1,530,663
Total revenue		**329,937,088**	**300,855,370**
Expenditure			
Remuneration of Personnel	23	(94,191,668)	(96,501,635)
Remuneration of councillors	24	(10,492,170)	(9,051,724)
Depreciation and amortisation	27	(61,009,541)	(69,182,378)
Impairment loss/ Reversal of impairments	28	(2,690,981)	69,542,633
Finance costs	29	(127,595)	(226,052)
Repairs and maintenance		(16,427,379)	(11,080,832)
Bulk purchases	33	(67,501,132)	(53,402,144)
Contracted services	32	(26,056,366)	(10,096,485)
General Expenses	22	(53,999,297)	(40,672,046)
Total expenditure		**(332,496,129)**	**(220,670,663)**
Operating (deficit) surplus		**(2,559,041)**	**80,184,707**
Fair value adjustments	26	30,330	86,328
(Deficit) surplus for the year		**(2,528,711)**	**80,271,035**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July, 2012	**815,961,997**	**815,961,997**
Changes in net assets		
Restated Surplus for the year	80,271,035	80,271,035
Total changes	80,271,035	80,271,035
Balance at 01 July, 2013	**896,233,036**	**896,233,036**
Changes in net assets		
Surplus for the year	(2,528,711)	(2,528,711)
Total changes	(2,528,711)	(2,528,711)
Balance at 30 June, 2014	**893,704,325**	**893,704,325**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2014	Restated 2013
Cash flows from operating activities			
Receipts			
Consumer services		111,299,644	205,547,847
Grants		108,793,001	97,769,533
Interest income		55,899,635	332,423
Consumer deposits received		221,445	-
		276,213,725	303,649,803
Payments			
Employee costs		(118,866,066)	(102,764,164)
Suppliers		(122,217,972)	(147,223,007)
Finance costs		(127,595)	(226,052)
		(241,211,633)	(250,213,223)
Net cash flows from operating activities	34	**35,002,092**	**53,436,580**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(48,745,223)	(49,568,905)
Cash flows from financing activities			
Finance lease payments		(6,130,623)	(4,442,831)
Net increase/(decrease) in cash and cash equivalents		**(19,873,754)**	**(575,156)**
Cesh and cesh equivalents at the beginning of the year		2,066,482	2,641,638
Cash and cash equivalents at the end of the year	9	**(17,807,272)**	**2,066,482**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	101,515,285	1,254,800	102,770,085	93,504,365	(9,265,720)	
Rental of facilities and equipment	307,500	-	307,500	228,157	(79,343)	
Licences and permits	5,690,000	5,495,000	11,185,000	3,121,311	(8,063,689)	
Other income	1,305,225	297,400	1,602,625	2,290,587	687,962	
Interest received - investment	250,000	60,000	310,000	358,652	48,652	
Interest on trade and other receivables	84,567,924	-	84,567,924	55,540,983	(29,026,941)	
Total revenue from exchange transactions	**193,635,934**	**7,107,200**	**200,743,134**	**155,044,055**	**(45,699,079)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	65,100,000	-	65,100,000	57,238,528	(7,861,472)	
Government grants & subsidies	103,487,000	8,818,000	112,305,000	105,162,944	(7,142,056)	
Transfer revenue						
Fines	1,900,000	600,000	2,500,000	2,826,164	326,164	
Agency fees	-	-	-	9,665,397	9,665,397	
Total revenue from non-exchange transactions	**170,487,000**	**9,418,000**	**179,905,000**	**174,893,033**	**(5,011,967)**	
Total revenue	**364,122,934**	**16,525,200**	**380,648,134**	**329,937,088**	**(50,711,046)**	
Expenditure						
Personnel	(111,154,170)	1,244,159	(109,910,011)	(94,191,668)	15,718,343	
Remuneration of councillors	(12,185,250)	(1,180,225)	(13,365,475)	(10,492,170)	2,873,305	
Depreciation and amortisation	(76,500,000)	-	(76,500,000)	(61,009,541)	15,490,459	
Impairment loss/ Reversal of impairments	(29,913,000)	2,813,000	(27,100,000)	(2,690,981)	24,409,019	
Finance costs	(803,320)	(820,000)	(1,623,320)	(127,595)	1,495,725	
Repairs and maintenance	(18,227,400)	(3,914,730)	(22,142,130)	(16,427,379)	5,714,751	
Bulk purchases	(82,060,000)	8,000,000	(74,060,000)	(67,501,132)	6,558,868	
Contracted Services	(28,452,629)	(14,701,758)	(43,154,387)	(26,056,366)	17,098,021	
General Expenses	(50,343,978)	(5,397,602)	(55,741,580)	(53,999,297)	1,742,283	
Total expenditure	**(409,639,747)**	**(13,957,156)**	**(423,596,903)**	**(332,496,129)**	**91,100,774**	
Operating deficit	**(40,316,948)**	**(383,279,955)**	**(423,596,903)**	**(2,559,041)**	**421,037,862**	
Fair value adjustments	-	-	-	30,330	30,330	
Deficit before taxation	**(40,316,948)**	**(383,279,955)**	**(423,596,903)**	**(2,528,711)**	**421,068,192**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(40,316,948)**	**(383,279,955)**	**(423,596,903)**	**(2,528,711)**	**421,068,192**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trede receivables, held to maturity investments and loans and receivables for impairment et the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cesh flows from a financial esset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on e portfolio basis, based on historical loss ratios, adjusted for national end industry-specific economic conditions end other indicators present at the reporting date that correlate with defaults on the portfolio. Those annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional Information is disclosed in Note 5.

1.2 Biological assets

An entity shall recognise a biological assets or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probeble that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less point-of-sale costs.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological essets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cesh inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

Where fair value cannot be measured reliably, biological assets are measured et cost less any accumulated depreciation and any accumulated impairment losses.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

1.3 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plent and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant end equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimeted residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	30 years
Infrastructure	
• Electricity Assets	3 - 60 Years
• Roads	5 - 100 Years
• Road furniture	2 - 50 Years
• Road structure	80 Years
Community	
• Cemeteries	5 - 100 Years
• Halls and centres	7 - 100 Years
• Landfill sites	15 - 60 Years
• Markets, stalls and LED facilities	15 - 50 Years
• Parks	10 - 80 Years
• Sports facilities	30 Years
• Taxi ranks	15 - 100 Years
Other property, plant and equipment	
• Computer hardware	5 Years
• Equipment	5 Years
• Furniture and fittings	7 Years
• Machinery	5 - 7 Years
• Office equipment	3 - 10 Years
• Picnic seaters and benches	7 Years
• Plant and machinery	2 - 7 Years
• Vehicles	3 - 20 Years

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on Impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.5 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liebility is measured et initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an ellowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Accounting Policies

1.5 Financial instruments (continued)

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.5 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of e concessionary loan that is:
- a social benefit in accordence with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity meesures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is eny objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on e straight-lino basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on e straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

1.7 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.9 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that tha benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits becoma vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Accounting Policies

1.11 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

Accounting Policies

1.11 Provisions and contingencies (continued)

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.12 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

1.13 Revenue from non-exchange transactions (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Accounting Policies

1.13 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition es en asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Accounting Policies

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure axcludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and whare recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.21 Presentation of currency

These annual financial statements are presented in South African Rand.

1.22 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.23 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Accounting Policies

1.24 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or affer
• GRAP 25: Employee benefits	01 April, 2013
• GRAP 20: Related parties	01 April, 2013
• GRAP 1 (as revised 2012): Presentation of Financial Statements	01 April, 2013
• GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors	01 April, 2013
• GRAP 7 (as revised 2012): Investments in Associates	01 April, 2013
• GRAP 9 (as revised 2012): Revenue from Exchange Transactions	01 April, 2013
• GRAP 12 (as revised 2012): Inventories	01 April, 2013
• GRAP 13 (as revised 2012): Leases	01 April, 2013
• GRAP 16 (as revised 2012): Investment Property	01 April, 2013
• GRAP 17 (as revised 2012): Property, Plant and Equipment	01 April, 2013
• GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)	01 April, 2013
• GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)	01 April, 2013
• IGRAP16: Intangible assets website costs	01 April, 2013
• IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue	01 April, 2013

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July, 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or affer
• GRAP 32 Service Concession Arrangement :Grantor	01 July, 2014
• GRAP 108 - statutory Receivables	01 July, 2014
• GRAP 105: Transfers of functions between entities under common control	01 April, 2014
• GRAP 106: Transfers of functions between entities not under common control	01 April, 2014
• GRAP 107: Mergers	01 April, 2014
• IGRAP 11: Consolidation – Special purpose entities	01 April, 2014
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April, 2014
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April, 2014
• GRAP 7 (as revised 2010): Investments in Associates	01 April, 2014
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April, 2014

Figures in Rand	2014	2013

3. Biological assets

	2014			2013		
	Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Nursery plants	343,743	-	343,743	313,413	-	313,413

Reconciliation of biological assets - 2014

	Opening balance	Gains or losses arising from changes in fair value	Total
Nursery plants	313,413	30,330	343,743

Reconciliation of biological assets - 2013

	Opening balance	Gains or losses arising from changes in fair value	Total
Nursery plants	226,585	86,828	313,413

4. Property, plant and equipment

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	597,960,963	(67,040,634)	530,920,329	597,960,963	(55,214,174)	542,746,789
Infrastructure	735,823,492	(317,152,068)	418,671,424	705,851,002	(272,737,282)	433,113,720
Community	59,851,118	(8,571,199)	51,279,919	49,357,974	(6,107,778)	43,250,196
Capital work in progress	36,428,933	-	36,428,933	28,766,715	-	28,766,715
Other property, plant and equipment	40,022,573	(26,091,985)	13,930,588	39,405,202	(23,787,111)	15,618,091
Total	**1,470,087,079**	**(418,855,886)**	**1,051,231,193**	**1,421,341,856**	**(357,846,345)**	**1,063,495,511**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Depreciation	Total
Land and buildings	542,746,789	-	(11,826,460)	530,920,329
Infrastructure	433,113,720	29,972,490	(44,414,786)	418,671,424
Community	43,250,196	10,493,144	(2,463,421)	51,279,919
Capital work in progress	28,766,715	7,662,218	-	36,428,933
Other property, plant and equipment	15,618,091	617,371	(2,304,874)	13,930,588
	1,063,495,511	**48,745,223**	**(61,009,541)**	**1,051,231,193**

Figures in Rand	2014	2013

4. **Property, plant and equipment (continued)**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Depreciation	Total
Land	546,434,336	6,124,455	(9,812,002)	542,746,789
Infrastructure	458,545,261	26,528,146	(51,959,687)	433,113,720
Community	36,052,529	8,330,180	(1,132,513)	43,250,196
Capital Working Progress	23,578,917	5,187,798	-	28,766,715
Other property, plant and equipment	18,497,943	3,398,326	(6,278,178)	15,618,091
	1,083,108,986	**49,568,905**	**(69,182,380)**	**1,063,495,511**

Reconciliation of Work-in-Progress 2014

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. **Employee benefit obligations**

Defined benefit plan

Post retirement medical aid plan

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medicel Aid Funds, with which the municipality is essociated, a member (who is on a current Conditions of Service) is entitled to remain continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. Tho municipelity operetes en unfunded defined plan for these qualifying employees. No other post retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 30 June 2014 by Krishen Sukdev of Independent Actuaries and Consultants (Pty) Ltd, a fellow of the Actuarial Society of South Africa. The present value of the denied benefit obligation, and the related service cost and past service cost, were measured using the Projected Unit Credit Method.

The amounts recognised in the statement of financial position are as follows:

	2014	2013
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(25,984,395)	(27,244,000)

Changes in the present value of the defined benefit obligation are as follows:

	2014	2013
Opening balance	27,244,000	23,147,000
Benefits paid	(748,000)	(623,000)
Net expense recognised in the statement of financial performance	(511,605)	4,720,000
	25,984,395	**27,244,000**

Net expense recognised in the statement of financial performance

	2014	2013
Current service cost	1,398,197	1,295,000
Interest cost	2,446,602	2,113,000
Actuarial (gains) losses	(4,356,404)	1,312,000
	(511,605)	**4,720,000**

Figures in Rand	2014	2013

5. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2014	2013
Discount rates used	9.56 %	9.10 %
General inflatiion	6.30 %	6.00 %
Medical cost trend rates	7.80 %	8.00 %
Real rate(Gap)	1.63 %	1.02 %
Expected retirement age	63	63

Defined contribution plan

All pension fund contributions are defined contribution plan and have been expensed and included in the employee costs for the year.

The municipality is under no obligation to cover any unfunded benefits.

6. Inventories

	2014	2013
Consumable stores	14,399,131	9,467,752

7. Receivables from non-exchange transactions

	2014	2013
Property Rates	110,683,665	101,251,185
Interest accrued	4,000	4,000
	110,687,665	**101,255,185**

Reconciliation of provision for impairment of receivables from non-exchange transactions

	2014	2013
Opening balance	(7,380,293)	(26,622,424)
Unused amounts reversed	946,670	19,242,131
	(6,433,623)	**(7,380,293)**

8. Receivables from exchange transactions

	2014	2013
Gross balances		
Electricity	38,924,935	34,782,209
Refuse	35,220,527	29,699,274
Other (specify)	143,585,009	134,257,242
	217,730,471	**198,738,725**
Less: Allowance for impairment		
Electricity	(6,800,301)	(7,800,926)
Refuse	(6,153,130)	(7,058,528)
Other (specify)	(45,144,481)	(51,787,230)
	(58,097,912)	**(66,646,684)**
Net balance		
Electricity	32,124,634	26,981,283
Refuse	29,067,397	22,640,746
Other (specify)	98,440,528	82,470,012
	159,632,559	**132,092,041**

Figures in Rand	2014	2013

8. **Receivables from exchange transactions (continued)**

Electricity		
Current (0 -30 days)	5,424,839	6,371,923
31 - 60 days	5,839,269	3,180,070
61 - 90 days	1,434,442	6,481,176
> 90 days	19,426,084	10,948,114
	32,124,634	**26,981,283**

Refuse		
Current (0 -30 days)	1,036,495	494,223
31 - 60 days	1,508,168	564,495
61 - 90 days	690,169	4,174,473
> 90 days	25,832,565	17,407,555
	29,067,397	**22,640,746**

Other (specify)		
Current (0 -30 days)	6,037,710	5,633,194
31 - 60 days	11,736,934	5,008,933
61 - 90 days	5,680,189	2,774,947
> 90 deys	74,985,695	69,052,938
	98,440,528	**82,470,012**

Reconciliation of allowance for impairment		
Belence at beginning of the year	(66,646,678)	(154,135,085)
Reversal of allowance	8,548,766	87,488,401
	(58,097,912)	**(66,646,684)**

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. Further more the municipality has elso placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers, and is not concentrated in any particular sector or geographical area. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

Provision for impairment of Consumer Debtors has been made for all consumer balances outstanding based on the ageing of 91 days and above.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

In determining the recoverability of a Rates Assessment Debtor and other receivables from non-exchange transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

9. **Cash and cash equivalents**

Cash and cash equivalents consist of:

Figures in Rand	2014	2013

9. Cash and cash equivalents (continued)

	2014	2013
Bank balances	-	1,137,493
Short-term deposits	155,234	928,989
Bank overdraft	(17,962,506)	-
	(17,807,272)	**2,066,482**
Current assets	155,234	2,066,482
Current liabilities	(17,962,506)	-
	(17,807,272)	**2,066,482**

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June, 2014	Bank statement balances 30 June, 2013	Bank statement balances 30 June, 2012	Cash book balances 30 June, 2014	Cash book balances 30 June, 2013	Cash book balances 30 June, 2012
Standard Bank - Current Account :330451367	489,987	1,137,493	1,142,371	(17,315,696)	1,137,493	1,142,371
ABSA - Call Account:4061623641	79,936	5,234	5,493	79,936	5,234	5,493
ABSA - fixed Deposit : 2064270257	88,000	88,000	88,000	-	88,000	88,000
Standard Bank -Trust account 243098804	26,385	81,655	-	26,385	-	-
Standard Bank - Call Account : 238711102-001	4,393	256,255	604,570	4,393	252,860	604,570
Standard Bank - Call Account :238711102-002	37,915	1,543	235,523	-	1,543	235,523
Standard Bank - Call Account :238711102-004	21,358	403,389	431,580	21,358	403,389	431,580
Standard Bank - Call Account :238711102-005	1,959	177,963	134,101	1,959	177,963	134,101
Total	**749,933**	**2,151,532**	**2,641,638**	**(17,181,665)**	**2,066,482**	**2,641,638**

10. Finance lease obligation

	2014	2013
Minimum lease payments due		
- within one year	313,992	6,193,254
- in second to fifth year inclusive	367,153	681,145
	681,145	6,874,399
less: future finance charges	(68,178)	(136,741)
Present value of minimum lease payments	**612,967**	**6,737,658**
Present value of minimum lease payments due		
- within one year	272,790	6,124,691
- in second to fifth year inclusive	340,177	612,967
	612,967	**6,737,658**
Non-current liabilities	340,177	612,967
Current liabilities	266,858	6,124,691
	607,035	**6,737,658**

The average lease term was 5 years and the average effective borrowing rate was 10% (2013: 10%).

Figures in Rand	2014	2013

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	7,141,196	-
Intergrated National Electrification Grant	-	1,628,618
Neighbourhood Development Partnership Grant	1	882,523
	7,141,197	**2,511,141**

Unfulfilled conditions and other contingencies attaching to govemment assistance that has been recognised.

See note 20 for reconciliation of grants from National/Provincial Government.

12. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Change in expected costs capitalised	Utilised during the year	Current cost	Change in discount factor	Acturial (gain)/loss	Tota
Rehabilitation of Land fill sites	9,177,856	10,493,144	-	-	-	-	19,671
Employee benefit cost- Long Service Awards	6,246,462	-	(964,594)	560,787	437,040	(2,118,411)	4,161
	15,424,318	**10,493,144**	**(964,594)**	**560,787**	**437,040**	**(2,118,411)**	**23,832**

Reconciliation of provisions - 2013

	Opening Balance	Change in expected costs capitalised	Reversed during the year	Total
Rehabilitation of Land fill sites	2,558,202	6,619,654	-	9,177,856
Employee benefit cost - Long Service Awards	6,262,000	-	(15,538)	6,246,462
	8,820,202	**6,619,654**	**(15,538)**	**15,424,318**

Land fill sites rehabilitation provision

The provision for land fill sites rehabilitation relates to estimated cost for the rehabilitation of four(4) land fill sites operated by the municipality.

Ba-Phalaborwa landfill site is expected to be used for the next 10 to 15 years and it is estimated that R13,970,000 will be spent to rehabilitate the site.
Lulekani landfill site has been closed and is in the process of being cleaned as waste is being transferred to the Ba-Phalaborwa landfill site. A total of R300,000 is expected to be spent on the project.
Namakgale landfill site is expected to be in operation for the next 20 to 25 years and the estimated cost of rehabilitating the site is R4,890,000.
Gravelotte landfill site has been recommended for closure as it does not comply with the minimum requirements of a landfill site. The estimated cost for rehabilitating the site is R511,000.

The evaluation, audit and computation of the provision for rehabilitation of the sites have been carried out by M Consulting Chartered Accountants and E - Tek Consulting Environmental Engineers.

Employee benefit cost provision

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 by Krishen Sukdev, from Independent Actuaries and Consultants (Pty) Ltd, a Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 427 (2013: 451) employees were eligible for Long-services Awards.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2014	2013
Discount rate	8.46%	7.6%
General Inflation	6.24%	5%
Salary inflation	7.24%	8%
Real rate (Gap)	1.14%	0.37%

Figures in Rand	2014	2013

12. Provisions (continued)

Expected Retirement Age	63	63

13. Payables from exchange transactions

	2014	2013
Trade payables	20,596,893	16,460,112
Payments received in advanced	18,873,710	18,882,656
Accrued leave pay	8,128,956	10,729,197
Retentions	5,218,922	4,017,181
Provision for Staff Bonuses	866,867	1,574,692
Payroll Accruals	4,841,529	3,669,359
Mopani District Municipality(Water and Sanitation)	265,422,382	284,316,814
	323,949,259	**339,650,011**

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe. Interest charged is disclosed as fruitless and wasteful expenditure.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

14. VAT payable

	2014	2013
VAT Payable	39,646,339	17,909,246

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

15. Consumer deposits

	2014	2013
Electricity	3,622,185	2,980,978

No interest is paid on consumer deposits.

16. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	159,632,559	159,632,559
Other receivables from non-exchange transactions	-	110,687,665	110,687,665
Cash and cash equivalents	155,234	-	155,234
	155,234	**270,320,224**	**270,475,458**

Financial liabilities

	At fair value	At amortised cost	Total
Trade and other payables from exchange transactions	-	323,949,259	323,949,259
Bank overdraft	17,962,506	-	17,962,506
Consumer deposits	-	3,622,185	3,622,185

Figures in Rand		2014	2013
	17,962,506	**327,571,444**	**345,533,950**

17. Revenue

	2014	2013
Service charges	93,504,365	79,414,463
Rental of facilities and equipment	228,157	294,841
Licences and permits	3,121,311	2,375,223
Other income	2,290,587	5,606,103
Interest received - investment	55,899,635	52,139,385
Property rates	57,238,528	60,257,422
Government grants & subsidies	105,162,944	98,366,654
Fines	2,826,164	870,616
Agency fees	9,665,397	1,530,663
	329,937,088	**300,855,370**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	93,504,365	79,414,463
Rental of facilities and equipment	228,157	294,841
Licences and permits	3,121,311	2,375,223
Other income	2,290,587	5,606,103
Interest received - investment	55,899,635	52,139,385
	155,044,055	**139,830,015**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	57,238,528	60,257,422
Transfer revenue		
Government grants & subsidies	105,162,944	98,366,654
Fines	2,826,164	870,616
Agency fees	9,665,397	1,530,663
	174,893,033	**161,025,355**

18. Property rates

Rates received

	2014	2013
Residential	57,238,528	60,257,422

Valuations

	2014	2013
Residential	2,918,197,005	2,918,197,005
Commercial	2,933,472,796	2,933,472,796
State	8,807,000	8,807,000
Municipal	570,407,623	570,407,623
Agriculture	23,546,166	23,546,166
Other	32,148,320	32,148,320
	6,486,578,910	**6,486,578,910**

The last general valuation came into effect on 1 July 2009.

19. Service charges

	2014	2013
Sale of electricity	83,081,990	70,291,510
Refuse removal	10,422,375	9,122,953
	93,504,365	**79,414,463**

Figures in Rand	2014	2013

20. Government grants and subsidies

	2014	2013
Operating grants		
Equitable share	69,432,141	61,461,644
Financial Management Grant	1,550,000	1,500,000
Municipal Infrastructure Grant	32,290,804	20,778,000
Municipal System Improvement Grant	890,000	800,000
DBSA	-	500,000
Intergrated National Electrification Grants	-	4,000,000
LGSETA	-	209,533
Expanded Public Works Grants (EPWP)	1,000,000	1,000,000
	105,162,945	90,249,177
Capital grants		
Neighbourhood Development Partnership Grant	(1)	8,117,477
	(1)	8,117,477
	105,162,944	**98,366,654**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R130 - (2013: R130 -), which is funded from the grant. All residential households receive 6 000 litres water of and 50 kWh electricity free every month.

Municipal Infrastructure Grant

	2014	2013
Balance unspent at beginning of year	-	873,320
Current-year receipts	39,432,000	20,778,000
Conditions met - transferred to revenue	(32,290,804)	(20,778,000)
Other	-	(873,320)
	7,141,196	**-**

Conditions still to be met - remain liabilities (see note 11).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and electricity infrastructure as part of the upgrading of previously disadvantaged areas.

The Municipality has applied to National Treasury, for a roll over to the next financial year of the unspent balance of the grant.

Intergrated National Electrification Grant

	2014	2013
Balance unspent at beginning of year	1,628,618	2,234,942
Current-year receipts	-	4,000,000
Conditions met - transferred to revenue	-	(4,000,000)
Paid back to National Treasury	(1,628,618)	(606,324)
	-	**1,628,618**

Financial Management Grant

	2014	2013
Current-year receipts	1,550,000	1,500,000
Conditions met - transferred to revenue	(1,550,000)	(1,500,000)
	-	-

The Financial Management Grant is paid to the municipality to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

Figures in Rand	2014	2013

20. Government grants and subsidies (continued)

Municipal System Improvement Grant

Current-year receipts	890,000	800,000
Conditions met - transferred to revenue	(890,000)	(800,000)
	-	-

The Grant was used to improve municipal systems and was used to improve information technology networks and Ward Committee operations. No funds have been withheld.

Expanded Public Works Grants (EPWP)

Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,000,000)	(1,000,000)
	-	-

The Grant was received from the Department of Public Works for the creation of jobs in the municipal area and to incentivise provincial department to expand work creation efforts through the use of labour intensive delivery methods in identified focus area e.g road maintenance and maintenance of building and other economic and social infrastructure.

Neighbourhood Development Partnership Grant

Balance unspent at beginning of year	882,523	-
Current-year receipts	-	9,000,000
Conditions met - transferred to revenue	-	(8,117,477)
Paid Back to National Treasury	(882,522)	-
	1	**882,523**

21. Other Income

Building Plan fees	291,788	410,454
Cemetry fees	97,830	102,145
Clearance certificates	79,212	83,897
Connection fees	673,492	1,148,957
Library Income	93,636	115,730
Other Income	829,049	164,587
Selling of Bid Document	156,580	206,929
Selling of land	69,000	834,825
Stock Surpluses	-	2,538,579
	2,290,587	**5,606,103**

Figures in Rand	2014	2013

22. General expenses

Accomodation	1,074,659	1,337,592
Advertising	1,121,333	895,498
Auditors remuneration	3,319,557	2,222,855
Bank charges	1,527,942	1,319,881
Cleaning	3,633	2,277
Communication and Public Participation	3,586,694	4,571,900
Consulting and professional fees	3,945,180	900,964
Consumables	2,023,964	1,488,641
Debt collection	2,165,784	-
Entertainment	155,017	386,614
Grant Expenditure	991,084	1,998,297
Hire of Equipment	600,052	463,843
Insurance	2,244,109	2,322,613
IT expenses	636,781	609,183
Indigent Support FBS	(283,140)	1,659,516
Lease rentals on operating lease	3,044,180	1,810,615
Licence Fees - Vehicles	104,406	282,178
Non-Bulk Purchases Electricity	4,104,424	3,136,670
Motor vehicle expenses	1,918,396	945,994
Meter Readings	4,007,685	1,395,267
Occupational Health and Safety	278,454	304,495
Fuel and oil	3,648,174	2,606,696
Placement fees	68,400	-
Productions	51,628	-
Postege end courier	511,003	564,359
Printing and stationery	1,216,798	867,392
Purchase of Prepaid Boxes	19,969	243,870
Protective clothing	1,025,774	590,562
Recruitment Expenses	305,573	452,361
Security (Guarding of municipal property)	4,976,999	3,055,224
Staff welfare	309,944	157,101
Subscriptions and Publications	2,156,490	1,072,792
Telephone and fax	1,507,513	1,350,503
Training	1,515,288	622,045
Travel - local	94,781	180,759
Title deed search fees	14,194	35,486
Assets expensed	12,993	-
Road Marking	312	312
Travel and Subsistence	(6,730)	-
Workmens compensation	-	817,691
	53,999,297	40,672,046

Figures in Rand	2014	2013

23. Employee related costs

Basic	58,949,498	50,484,369
Bonus	3,737,408	3,409,386
Medical aid - company contributions	2,669,807	3,081,042
UIF- Company contributions	575,420	520,326
Industrial Council Levy	30,463	25,019
SDL	800,451	710,954
Contribution to Group Insurance	174,869	162,247
Leave pay provision charge	(2,600,241)	3,307,514
Post-employment benefits - Pension - Defined contribution plan	11,300,836	11,391,936
Travel, motor car, accommodation, subsistence and other allowances	14,358,869	12,958,616
Overtime payments	3,219,552	3,479,847
Long-service awards	1,230,260	3,251,457
Acting allowances	617,300	679,690
Housing benefits and allowances	636,722	619,378
Defined benefit plan expense	(1,632,189)	2,419,854
	94,069,025	**96,501,635**

Remuneration of municipal manager

Annual Remuneration	766,302	729,632
Car Allowance	580,850	-
Subsistence	3,034	-
Backpay	19,179	612,354
	1,369,365	**1,341,986**

Remuneration of chief finance officer

Annual Remuneration	456,900	391,896
Car Allowance	308,463	-
Cell Allowance	18,000	-
Subsistence Allowance	3,611	-
Other	324,383	770,048
	1,111,357	**1,161,944**

Remuneration of Director Planning and Development services

Annual Remuneration	493,569	446,467
Car Allowance	367,340	-
Cell Allowance	18,000	-
Subsistence Allowance	3,982	-
Other	37,114	274,588
	920,005	**721,055**

Remuneration of Director Corporate Services

Annual Remuneration	565,046	255,312
Car Allowance	197,508	-
Subsistence Allowance	1,338	-
Other	225,723	63,670
	989,615	**318,982**

Remuneration of Director Community Services

Annual Remuneration	582,040	494,767
Car Allowance	202,670	-

Figures in Rand	2014	2013
23. Employee related costs (continued)		
Cell Allowance	18,000	-
Subsistence Allowance	868	-
Other	214,281	584,607
	1,017,859	**1,079,374**

Audit and Risk Committee Fees

Fees	122,643	-

24. Remuneration of councillors

Mayor	711,872	677,957
Chief Whip	597,986	538,735
Mayoral Committee Members	2,673,898	2,354,156
Speaker	579,633	554,359
Councillors	5,930,520	4,926,527
	10,493,909	**9,051,734**

25. Investment revenue

Interest revenue		
Bank	358,652	332,423
Interest charged on trade and other receivables	55,540,983	51,806,962
	55,899,635	**52,139,385**

26. Fair value adjustments

Biological assets - (Fair value model)	30,330	86,328

27. Depreciation and amortisation

Property, plant and equipment	61,009,541	69,182,378

28. Impairment of assets

Impairments		
Trade and other receivables	2,690,981	(69,542,633)

29. Finance costs

Non-current borrowings	67,364	160,805
Trade and other payables	(15,472)	(42)
Other interest paid	75,703	65,289
	127,595	**226,052**

30. Auditors' remuneration

Fees	3,319,557	2,222,855

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

31. Rental of facilities

Premises		
Municipal Halls	70,101	117,120
Municipal Buildings	115,340	123,549
	185,441	**240,669**
Facilities and equipment		
Stadiums and grounds	42,549	42,886
Rental of equipment	167	11,286
	42,716	**54,172**
	228,157	**294,841**

32. Contracted services

Agency fees - licensing	9,462,254	965
Specialist Services - Management fees	16,594,112	10,095,520
	26,056,366	**10,096,485**

33. Bulk purchases

Electricity	67,501,132	53,402,144

34. Cash generated from operations

(Deficit) surplus	(2,528,711)	80,271,035
Adjustments for:		
Depreciation and amortisation	61,009,541	69,182,378
Fair value adjustments	(30,330)	(86,328)
Impairment loss (reversal)	2,690,981	(69,542,633)
Movements in retirement benefit assets and liablilities	(1,259,605)	4,097,000
Movements in provisions	8,407,966	6,604,116
Changes in working capital:		
Inventories	(4,931,379)	(5,062,658)
Receivables from exchange transactions	(2,690,981)	69,542,633
Other receivables from non-exchange transactions	(9,432,480)	(57,219,187)
Receivables from exchange transactions	(27,540,518)	(65,456,764)
Payables from exchange transactions	(15,700,748)	3,095,947
VAT	21,737,093	18,810,449
Unspent conditional grants and receipts	4,630,056	(597,121)
Consumer deposits	641,207	(202,287)
	35,002,092	**53,436,580**

Figures in Rand	2014	2013

35. Contingencies

There are a number of litigations which are in the process against the municipality relating to disputes with the following parties:

Kolden Arrows Safety's and Security services: The matter has been ongoing since 02/01/2012 and the company has raised a claim of R6,211,172 for breach of contract. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case will be heard in court on 30 November 2014.

Mabasa Jamela: A claim of R60,000 has been made against the municipality for damages as a result of a faulty house plan drawn for the claimant by a municipal employee. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely as the employee drew the plan in his personal capacity as he was not employed to draw plans. The court date has not yet been set.

Makwande Chartered Accountants: The matter relates to the preparation of municipal financial statements for the year ended 30 June 2009. The claimant failed to deliver the reports and the contract was terminated. The claimant is now claiming unpaid fees debt of R2,348,105.The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. The matter has been postponed indefinitely after the claimant's legal representatives failed to show up at the court on 12 March 2014.

Eugene Coetzee: Eugene is claiming R28,855 from the municipality for damages caused to his by a pothole within the municipality jurisdiction. The municipality's lawyers and management consider the likelihood of the action against the municipelity being successful as unlikely and the court date has not yet been set.

Tippuprox (Pty) Ltd: The company was awarded a tender by the municipality which was later cancelled by the municipality due to misrepresentations made during the tendering process by the owner of the company. The municipality then sued the company for the refund of R600,000 which had been paid to the company to perform the work, the company then raised a counter claim against the municipality of R7,003,500.The municipality's lawyers and management consider the likelihood of the action egainst the municipality being successful as unlikely. The court date has not yet been set.

Telkom South Africa: The company is claiming R86,435 for the damages caused to their infrastructure by the municipality. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful es unlikely and the court date has not yet been set.

Mahlatse Patience Ramoshaba: A claim of R25,895 has been made against the municipality for the damage caused to the claimant's car by a pothole on the R71 road. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely as the road is a provincial road. No court date has been set.

Lesego Phasha and 12 others: A claim of R850,697 has been made against the municipality fro unfair dismissal. The municipality lost the case and appealed against the decision. The parties are now waiting for the appeal court judgement.

The municipality's task results for the implementation of the wage curve have not been published by SALGBC, the potential liability as a result of the wage curve can therefore not be determined.

Figures in Rand	2014	2013

36. Related parties

Accounting Officer	Dr Sebashe SS
Name of Councillors	Position
NA Sono	Mayor
MD maake	Speaker
SL Mohlala	Chief Whip
MS Mogomane	Member of Executive Committee
KS Malatjie	Member of Executive Committee
VP Mapanzela	Member of Executive Committee
KP Mhlarhi	Member of Executive Committee
DM Rapatsa	Member of Executive Committee
SR De Beer	Member of Executive Committee
Members of key management	

Title	Name
Municipal Manager	DR SS Sebashe
Chief Financial Officer	AF Mushwana
Director Corporate Services	MI Moakamela
Director Planning and Development	KM Choenyana
Acting Director Technical Services	K Mpharalala
Director Community Services	JW Bayana

Key management information

Class	Description	Number
Secretary : Plenning and development	Mahlo Lerato Madgery	Mathebeleku Trading CC
Maneger :Planning & Development	Chauke MF	100% memebership in Dzhuta Treding Enterprise
Director	James Willie Bayana	100% shares Welkom Yizeni Investments
Councillor	Malatji MD	RLD Civils
Councillor	Maagomane MS	Mololomake Trading
Councillor	Rapatsa	Litirele Mosadi Trading and Projects Dodo General Trading Retebane Generel Trading Vincico Trading and Projects
Councillors	Otto KA	African Leader Manufactures
Councillor	Chauke MD	Khekhi Multi Trading Solid Massage Trading and Projects
Councillor	Makwala MO	Main Sound Construction
Councillor	Maake MD	Waltzaz Projects Waltsus Trading Enterprise
Councillor	Malesa MM	Hlangagane Trading Enterprise
Councillor	De Beer SR	Employed By Old Mutual

37. Prior period errors

1 The valuation report of Provision for Land Rehabilitation as at 30 June 2013 was only received from the value after the financial statements were submitted for audit, hence the balance was disclosed with no movement from prior year.

2 Stock surplus adjustments were posted in error to the creditor's account.

3 The balance for stock was understated due to unit price errors.

4 The Finance lease liability for the year was overstated at year end.

5 The valuation report for the defined benefit plan as at 30 June 2013 was only received from the professional value after financial statements had been submitted for audit hence the figure per financial statements was based on estimates.

6 The basis for the determination of provision for impairment of debtors was changed resulting in the revision of the provision for doubtful debts.

Interest on overdue debtors was not calculated for 3 months during the year ended 30 June 2013, due to system errors.

The correction of the errors results in adjustments as follows:

Statement of financial position	
Increase in Community Assets	6,619,654
Decrease in creditors	2,474,285
Increase in inventory	64,293
Decrease in Finance lease liability	1,700,807
Increese in Provision for Land Rehabilitation	(6,619,654)
Increase in Defined benefit plan expenses	(2,789,194)
Increase in debtors	187,971,700
Statement of Financial Performance	
Increase in Other Income	(2,538,578)
Decrease in operating lease expense	(353,020)
Decrease in impairment for debtors	(178,533,729)
Decrease in repairs and maintenance expense	(1,353,788)
Increase in defined benefit plan expenses	2,789,194
Increase in interest revenue	(9,437,971)

38. Risk management

Financial risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Figures in Rand	2014	2013

38. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

39. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2014.

40. Unauthorised expenditure

	2014	2013
Opening Balance	40,897,614	31,884,614
Unauthorised Expenditure Current year	20,760,858	3,574,235
Amount discovered during the 2012/13 audit	-	5,438,765
Condoned or written off by council	(40,897,614)	-
	20,760,858	**40,897,614**

Thc Unauthorised expenditure incured as results of payment made to Nkululeko Project for the amount paid more than the contract valu which was for the supply of protective clothing.

41. Fruitless and wasteful expenditure

	2014	2013
Opening Balance	4,130,520	10,076,801
Fruitless and wasteful expenditure current year	1,534,521	315,372
Amount discovered during the 2012/13 audit	-	655,090
Condoned or written off by Council	-	(6,916,743)
	5,665,041	**4,130,520**

The Municipality has incurred fruitless and wasteful expenditure as a results of interests and penalties charged on late payments to SARS,Telkom and ESKOM.

42. Irregular expenditure

	2014	2013
Opening balance	90,938,146	60,021,330
Add: Irregular Expenditure - current year	4,911,879	2,349,079
Less: Amounts condoned	(28,567,737)	-
Additional discovered during the 2012/13 Audit	-	28,567,737
	67,282,288	**90,938,146**

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2014	2013
Current year subscription / fee	1,000,386	1,208,275
Amount paid - current year	(1,000,386)	(1,208,275)
	-	-

Figures in Rand	2014	2013

43. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Current year fee	3,319,557	2,222,855
Amount paid - current year	(3,319,557)	(2,222,855)
	-	-

PAYE and UIF

Current year subscription / fee	14,275,642	11,274,266
Amount paid - current year	(12,752,898)	(11,274,266)
	1,522,744	-

Pension and Medical Aid Deductions

Current year subscription / fee	32,523,383	20,827,571
Amount paid - current year	(31,945,130)	-
Amount paid - previous years	-	(20,827,571)
	578,253	-

VAT

VAT payable	39,646,339	17,909,246

All VAT returns have been submitted by the due date throughout the year.

Figures in Rand	2014	2013

43. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding at 30 June, 2014:

30 June, 2014	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr.Kgoete LE	516	-	516
Cllr.Peta MR	679	-	679
Cllr.Nkuna SR	331	-	331
Cllr.Mohlala NC	468	-	468
Cllr.Mkanzi ST	400	-	400
Cllr.Mthombeni ET	87	-	87
Cllr.Mathebula HA	291	-	291
Cllr.Mashele	491	-	491
Cllr.Fleming GJ	683	-	683
Cllr.Maake MD	206	-	206
Cllr.Sono NA	304	-	304
Cllr.De Beer SR	341	-	341
Cllr.Otto	901	-	901
Cllr.Magomane MS	257	-	257
	5,955	**-**	**5,955**

30 June, 2013	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr.Kgoete LE	701	-	701
Cllr.Peta Mr	1,402	-	1,402
Cllr.Nkuna SR	624	-	624
Cllr.Mohlala NC	812	-	812
Cllr.Mkanzi ST	760	-	760
Cllr.Mthombeni ET	384	-	384
Cllr.Mashele JD	1,365	-	1,365
Cllr.Makasela N	772	-	772
Cllr.Mathebula KP	604	-	604
	7,424	**-**	**7,424**

44. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

45. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Notes to the Annual Financial Statements

Figures in Rand

46. Statement of comparative and actual information

2014

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance											
Property rates	65,100,000	-	65,100,000	-		65,100,000	57,238,528		(7,861,472)	88 %	88 %
Service charges	101,515,285	1,254,800	102,770,085	-		102,770,085	93,504,365		(9,265,720)	91 %	92 %
Investment revenue	84,817,924	60,000	84,877,924	-		84,877,924	55,899,635		(28,978,289)	66 %	68 %
Governmental grant and subsidies	103,487,000	8,818,000	112,305,000	-		112,305,000	105,162,944		(7,142,056)	94 %	102 %
Other own revenue	9,202,725	6,392,400	15,595,125	-		15,595,125	18,131,616		2,536,491	116 %	197 %
Total revenue (excluding capital transfers and contributions)	**364,122,934**	**16,525,200**	**380,648,134**	-		**380,648,134**	**329,937,088**		**(50,711,046)**	**87 %**	**91 %**
Employee costs	(111,154,170)	1,244,159	(109,910,011)	-	-	(109,910,011)	(94,191,668)	-	15,718,343	86 %	85 %
Remuneration of councillors	(12,185,250)	(1,180,225)	(13,365,475)	-	-	(13,365,475)	(10,492,170)	-	2,873,305	79 %	86 %
Repairs and maintenance	(18,227,400)	(3,914,730)	(22,142,130)			(22,142,130)	(16,427,379)	-	5,714,751	74 %	90 %
Depreciation and asset impairment	(106,413,100)	2,813,100	(103,600,000)			(103,600,000)	(63,700,522)	-	39,899,478	61 %	60 %
Finance charges	(803,320)	(820,000)	(1,623,320)	-	-	(1,623,320)	(127,595)	-	1,495,725	8 %	16 %
Materials and bulk purchases	(82,060,000)	8,000,000	(74,060,000)	-	-	(74,060,000)	(67,501,132)	-	6,558,868	91 %	82 %
Contracted services	(28,452,629)	(14,701,758)	(43,154,387)	-	-	(43,154,387)	(26,056,366)	-	17,098,021	60 %	92 %
Other expenditure	(50,343,978)	(5,397,602)	(55,741,580)	-	-	(55,741,580)	(53,134,850)	-	2,606,730	95 %	106 %
Total expenditure	**(409,639,847)**	**(13,957,056)**	**(423,596,903)**	-	-	**(423,596,903)**	**(331,631,682)**	-	**91,965,221**	**78 %**	**81 %**
Surplus/(Deficit) for the year	**(45,516,913)**	**2,568,144**	**(42,948,769)**	-		**(42,948,769)**	**(1,694,594)**		**41,254,175**	**4 %**	**4 %**

Notes to the Annual Financial Statements

Figures in Rand

46. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	-	-	-	-		-	19,598,104		19,598,104	DIV/0 %	DIV/0 %
Sources of capital funds											
Transfers recognised - capital	29,333,000	7,008,000	36,341,000	-		36,341,000	-		(36,341,000)	- %	- %
Internally generated funds	31,287,000	(6,977,000)	24,310,000	-		24,310,000	-		(24,310,000)	- %	- %
Total sources of capital funds	**60,620,000**	**31,000**	**60,651,000**	**-**		**60,651,000**	**-**		**(60,651,000)**	**- %**	**- %**

Notes to the Annual Financial Statements

Figures in Rand

46. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	61,635,000	(7,853,000)	53,782,000	-		53,782,000	35,002,092		(18,779,908)	65 %	57 %
Net cash from (used) investing	(60,620,000)	8,272,000	(52,348,000)	-		(52,348,000)	(48,745,223)		3,602,777	93 %	80 %
Net cash from (used) financing	-	-	-	-		-	(6,130,623)		(6,130,623)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	**1,015,000**	419,000	1,434,000	-		1,434,000	(19,873,754)		**(21,307,754)**	(1,386)%	(1,958)%
Cash and cash equivalents at the beginning of the year	-	-	-	-		-	2,066,482		2,066,482	DIV/0 %	DIV/0 %
Cash and cash equivalents at year end	1,015,000	419,000	1,434,000	-		1,434,000	(17,807,272)		19,241,272	(1,242)%	(1,754)%

Figures in Rand	2014	2013

46. Statement of comparative and actual information (continued)

2013

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Financial Performance				
Property rates				60,257,422
Service charges				79,414,463
Investment revenue				52,139,385
Transfers recognised - operational				98,366,654
Other own revenue				10,677,446
Total revenue (excluding capital transfers and contributions)				**300,855,370**
Employee costs	-	-	-	(96,501,635)
Remuneration of councillors	-	-	-	(9,051,724)
Depreciation and esset impairment	-	-	-	360,255
Finance charges	-	-	-	(226,052)
Materials and bulk purchases	-	-	-	(53,402,144)
Other expenditure	-	-	-	(61,849,363)
Total expenditure	**-**	**-**	**-**	**(220,670,663)**
Surplus/(Deficit) for the year				**80,184,707**

Figures in Rand	2014	2013

46. Statement of comparative and actual information (continued)

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Capital expenditure and funds sources				
Total capital expenditure				18,980,733
Cash flows				
Net cash from (used) operating				53,436,580
Net cash from (used) investing				(49,568,905)
Net cash from (used) financing				(4,442,831)
Net increase/(decrease) in cash and cash equivalents				**(575,156)**
Cash and cash equivalents at the beginning of the year				2,641,638
Cash and cash equivalents at year end				**2,066,482**

47. Budget differences

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. For details on these changes please refer to pages 11 to 12 in the financial statements.